

City Service Area **Economic & Neighborhood Development**



Primary Partners

Conventions, Arts & Entertainment

Fire

Housing

Office of Economic Development

**Planning, Building & Code
Enforcement**

Public Works

Redevelopment Agency

Mission: To manage the growth and change of the City of San Jose in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.

The City of San Jose's continuing transformation as the largest city in Silicon Valley, the world's most important region of innovation and technology, presents at least three major long-term challenges. The first is to sustain a vital, competitive economy despite the presence of lower-cost, high-quality regions nationally and globally. The health of small, local-serving businesses depends on the health of "driving industries" - those that serve outside markets.

The second is to create livable urban neighborhoods with an adequate supply of safe, quality affordable housing, while at the same time preserving the community's high quality of life, natural environment, and heritage.

The third challenge is to meet evolving community and business expectations regarding the safety and conditions in their neighborhoods within funding constraints. This includes providing services that enrich neighborhoods, creating an environment that sustains businesses and enables growth and expansion, and governing so that City strategies and decisions are open, consistent, and understood.

In response to the continued downturn, the END CSA partners are working harder with fewer resources to achieve these three goals: meeting the community's varied housing needs, fostering a positive business climate to encourage job creation and revenue generation, and supporting a vital community with a safe, attractive physical environment.

The focus of the END efforts in 2003-2004 will be on preserving essential core services in the short term while positioning the community to emerge from the current recession in a strong position to continue to implement the General Plan, quality growth policies and a well conceived economic development strategy.

CSA OUTCOMES

- **Strong Economic Base**
- **Diverse Range of Housing Opportunities**
- **Safe, Healthy, Attractive and Vital Community**

Five-Year Business Plan

Current Position

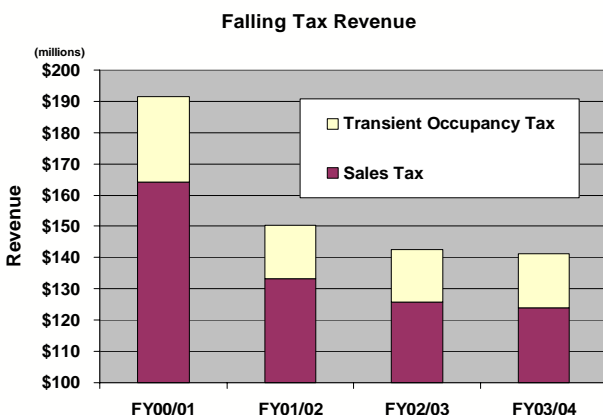
- 191,600 jobs have been lost in Santa Clara County since the height of the economy in late 2000. Although 8% of the state's economy, the area suffered 5090 of the state's total job losses.
- For the first time in decades, Santa Clara County population net growth has ceased.
- The City has been a national and regional leader in the development of affordable housing and projects. Over 3,000 new affordable units will be constructed and/or substantially rehabilitated during the next two years.
- Total construction activity (residential and non-residential) continued its downward trend to \$884 million, down from \$1.3 billion in 2001 and \$1.7 billion in 2000.

Selected Community Indicators

- **Jobs/Housing Balance:** In 2000, San Jose housed 53% of the population in Santa Clara County but had only 44% of the county's jobs.
- **Combined Office/Industrial Vacancy Rate:** 20% in January 2003 compared to 5% in January 2000.
- **Visitor Activity:** Lodging Index (total hotel room revenue ÷ total rooms): down 46% from \$127.47 in 2000 to \$68.21 in 2002.
- **New Housing Supply:** San Jose issued building permits for 18,778 housing units in the last five years. This represents 60% of the total housing units permitted in Santa Clara County.
- **Housing Affordability:** 28% of households were able to afford a median price home in December 2002, remaining relatively stable from 29% in December 2001.

Trends / Issues / Opportunities

- Tax revenue declines are represented in most categories including sales tax, and transient occupancy tax.
- State proposals to capture Redevelopment funding, if approved, will have a significant impact on the City's ability to implement SNI and affordable housing programs. In addition, implementation of a number of capital projects will be delayed or curtailed.
- Simultaneous funding source reductions presents the City with difficult choices regarding service provision.
- Fees collected for development related services are misaligned while the number of permits has risen, the fee revenue no longer covers costs and prevents the achievement of performance goals.
- A record number of inspections will be performed in 2002-2003 in response to a residential remodel boom. The activity increase is in the area where the current fee structure is least cost recovery. The trend toward infill development causes similar cost recovery problems for Public Works.
- Lower real estate costs and an available experienced, diverse talent base make the area more attractive to businesses considering expansion to Silicon Valley.
- The Bay Area is one of the best retail markets in the nation and many new retailers are looking for locations in San Jose.
- San Jose has the only major land reserves in Silicon Valley.



Five-Year Business Plan (cont'd)

Policy Framework

- Mayor's Ten Point Economic Revitalization Plan (December 2001)
- Downtown Strategy, prepared by the San Jose Redevelopment Agency (2000)
- City of San Jose 2020 General Plan, including the Housing Element
- Housing Production Team Report
- The City of San Jose 2002-2005 Consolidated Plan
- Five-Year Housing Investment Plan (September 2002)
- Adopted Strong Neighborhoods Initiative Plans

Key Strategic Goals & Objectives

- **Attract, Retain and Expand Business, including Driving Sectors** - The City is working to develop and implement an economic development strategy to expand the number and health of driving industries located in San Jose. The program will include steps to make San Jose more competitive in areas such as improved permitting processes and modified convention attraction efforts.
- **Strengthen Workforce** - The City leverages San Jose's strengths in productivity and education through partnership with regional educational institutions and training resources to facilitate worker movement into new industries with expected growth.
- **Increase the Supply of Housing for All Income Levels** - The City continues to implement programs and policies that encourage the development of new housing throughout the City to address the varied needs of San Jose residents.
- **Assist in the Development of Affordable Rental and For Sale Housing** - The City provides technical and financial assistance to developers to increase the affordable rental and for-sale housing stock. Staff will be working to develop innovative and proactive programs to ensure ongoing funding for the City's successful affordable housing programs.
- **Improve and Preserve the Existing Housing Stock** - The City provides homeowners low-interest loans and grants to maintain their properties, and address unsafe and substandard conditions. Developers also receive assistance to acquire and rehabilitate existing rental properties to preserve the existing affordable housing stock.
- **Meet Housing Needs of Special Populations** - The City administers programs targeted to teachers and special needs groups including the homeless.
- **Safe Place to Live and Work** - In addition to public safety, Code Enforcement activities focus on maintaining the built environment in a safe and attractive condition. With reduced resources in coming years, service delivery will rely heavily on neighborhood empowerment to address non-life-safety concerns.
- **Desirable Place to Live and Work** - San Jose will ensure that new private development and public improvements contribute to the overall enhancement of the City's quality of life. While community participation in the review process will continue and potentially increase, new proactive planning initiatives will be limited.
- **Healthy and Sustainable Environment** - San Jose's leadership in quality growth is guiding transit-oriented development, economic development, construction that incorporates Green building and energy conservation, water quality protection, habitat conservation, and open space preservation. Additional gains in these areas are challenged with reduced resources.
- **Facilitate Seamless and Effective Development Review** - City staff will facilitate a timely and customer friendly development and environmental review process for applicants.

Investment Strategy

Overview

In 2003-2004 the Economic and Neighborhood CSA is focusing on preserving essential core services in the short term while positioning the community to emerge from the current recession in a strong position to continue to implement the General Plan, quality growth policies and a well conceived economic development strategy. A major emphasis is to work to meet client expectations in service delivery across all of the functional components of the END CSA while remaining within resource constraints.

A number of strategies are being employed by the END CSA to maximize the provision of services to the public while recognizing reduced revenues including increased efficiencies and delivery consolidation, alignment of fees for service, use of one-time funding sources to bridge funding gaps, renegotiation of contracts and leases, reductions in subsidies to outside groups and finally, where necessary, impacting service delivery by reducing staff and non-personnel costs. The net result of these actions is a reduction of 49.94 FTEs and \$7.0million in expenditures from the END CSA compared with 2002-2003.

Key Investments & Objectives

Outcome 1: Strong Economic Base

Consolidation of Economic Development Programs - Under the Workforce Investment Network and direct Redevelopment Agency support, augmented loan activity, employment recruitment, job search assistance and other workforce development activities would continue with a minor reduction in service delivery. One-time funding will be used to redirect staff to increased retail development efforts away from the Small Business Loan Program (SBLP) pending resolution of SBLP funding. Greater efficiencies associated with consolidating international programs and youth employment have been identified.

Workforce Investment Act Staffing - Efforts continue to secure grants to offset reductions in funding from the federal government for the Workforce Investment Act. Impacts on client services are being minimized.

Convention and Cultural Affairs Fund - Through a combination of reduced and frozen positions, non-personal reductions, transfer of some sales and marketing functions and resources to the Convention and Visitors Bureau (CVB), the anticipated budget gap will be bridged, while maintaining CAE's mission to "enrich the community and strengthen the economy of San Jose by providing exceptional convention and cultural services."

Community Based Organizations Funding - Consistent with the Mayor's budget direction, funding to the local small business chambers of commerce, Joint Venture: Silicon Valley Network, and the Convention and Visitors Bureau (CVB) subsidy will be reduced by 10.7%, generating ongoing General Fund savings. The City and these organizations will attempt to create higher efficiencies to minimize service level impacts.

Outcome 2: Diverse Range of Housing Opportunities

Actions Addressing Declining Revenue - Due to a combination of factors impacting future funding sources for affordable housing, a number of actions will be taken, including defunding positions within the Housing Department and other departments supporting housing services.

Tenant Protection - The Non-Rent Control Tenancy Protection Program will provide stability to the rental housing community. The investment of CDBG funds into this new program will create new options for over 20,000 households who may be at risk of losing their housing.

Investment Strategy (Cont'd)

Outcome 3: Safe, Healthy, Attractive and Vital Community

Development Fee Program Realignment - The City worked closely with the local development community to craft an acceptable alignment of development fees with service costs/service levels. The approval of fee increases will allow the City to achieve cost recovery and the maintenance of service levels. Additional efficiencies are being sought to further increase the value offered by the development fee programs.

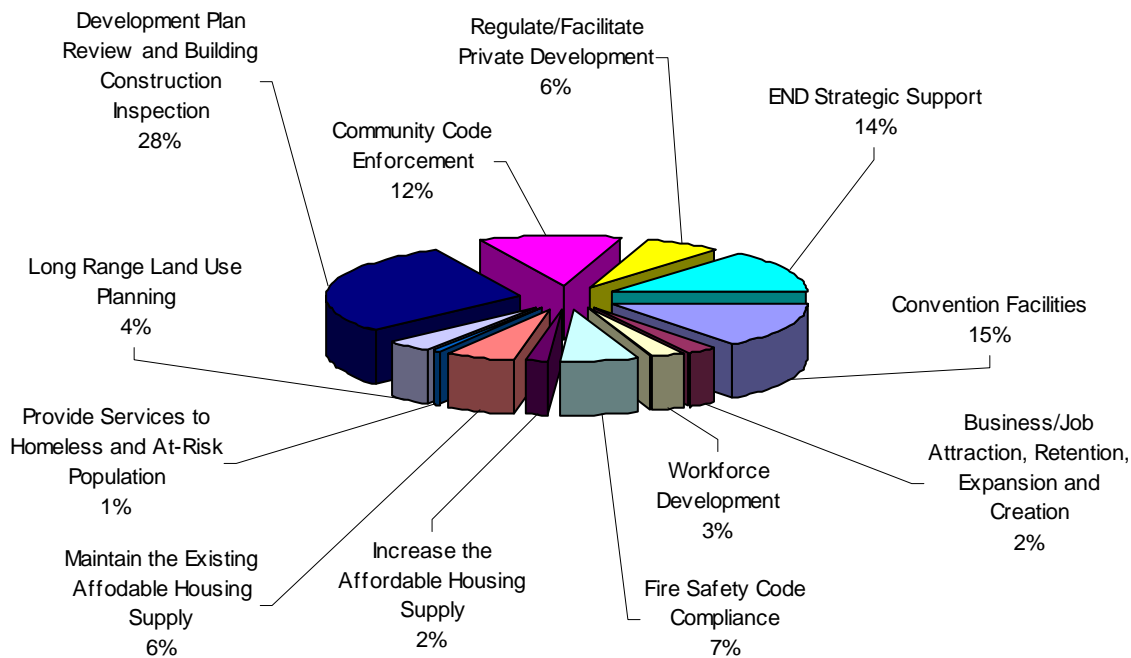
Long-Range Land Use Planning and Strong Neighborhoods Initiative Planning Activities - Service delivery in long-range planning, including SNI planning services, will be reduced in 2003-2004 as a result of proposed reductions and the loss of four temporary positions. The number of General Plan hearings will be reduced from the current four to two, specific plans or special studies will not be performed without a funding source, and zoning amendments will be focused on completing the downtown zoning district and several streamlining changes. These changes are likely to have an immediate impact the City's ability to build stronger neighborhoods, support economic development and affordable housing, preserve historic and natural resources, and improve the overall quality of life in San Jose.

Code Enforcement Fee Program Realignment - In conformance with Council policy, fees will be increased for existing services to attain 100% cost recovery. These fee increases will ensure that continued provision of services in the following areas: Residential Occupancy Permit, Solid Waste Permit, Abandoned Shopping Cart Prevention Plans, and Neglected Vacant House Registration Fees.

Life Safety Priority - In order to maximize the impacts of community code enforcement, life-safety conditions will receive primary attention and will be investigated and resolved in 24 to 72 hours. Code Enforcement will institute alternative enforcement techniques and develop partnerships with neighborhood associations in an attempt to resolve non-life-safety conditions since field inspection services will be reduced.

2003-2004 Total Operations by Core Service Economic & Neighborhood Development CSA

2002-03 Adopted	2003-04 Proposed	Resource Changes
\$80,707,401 725.22 FTE	\$73,686,144 675.28 FTE	(\$7,021,257) (49.94) FTE



Performance by Outcome

Outcome 1: Strong Economic Base

New Economic Development Strategy

The City is in the process of developing a new economic development strategy which will establish a vision for how San Jose can excel economically over the next five years and how the City and its partners (private, nonprofit, public sector) can work together to achieve the vision. Although San Jose and the wider region continue to be leaders in innovation and entrepreneurship, there is stiff competition from communities in the Bay Area, the nation, and globally. Relative to its population, San Jose lags the Silicon Valley region as a home base for companies in “driving industries,” those that serve outside markets, pay above-average wages, and/or stimulate job growth in business-support and local-serving sectors. “Driving industry” examples include software, networking equipment, bioscience and visitor services.

Aggressive competition from other innovation centers globally means that there is no guarantee of continued success in the absence civic action.

To develop the strategy, a wide array of perspectives will be solicited to create specific tactics regarding City influenced areas like: land

use, permitting, promotion, new business incubation, small business support, infrastructure investment, workforce investment, service delivery, and downtown development. The strategy will involve new research, an expanded economic information system, business and community outreach, and leadership development.

Development of “Driving Industries”

Increasing and diversifying San Jose’s concentration of “driving industries” is essential for maintaining San Jose’s quality of life and standard of living.

The City continues to incubate and recruit companies in emerging and growth industries and support the success of existing companies. Last year, the City unveiled a plan to implement a new bioscience incubator modeled on the nationally recognized software, environmental, and international business clusters already running in San Jose. The goal is to create a bioscience concentration in San Jose, to attract and provide assistance to emerging bioscience companies, and to promote exiting industrial parks as ideal areas for bioscience companies. At the same time, the City has not lost sight that fostering the

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target	
A. ATTRACT, RETAIN AND EXPAND BUSINESS						
1. Facilitate Major Corporate Development (Focus in Downtown and S. San Jose)	1. Estimated jobs generated through new construction projects (# jobs;sq. ft.)	Downtown	1,195 jobs 398 K sq.ft.	2000 jobs 610 K sq. ft.	0 jobs 380 K sq. ft.	807 jobs 269 K sq. ft.
		Edenvale	4,500 jobs 1.5 M sq. ft.	3000 jobs 1 M sq. ft.	520 jobs 221 K sq. ft.	680 jobs 228 K sq. ft.
		Rincon	3,000 jobs 1 M sq. ft.	2000 jobs 600 K sq. ft.	0 jobs 0 sq. ft.	1,500 jobs 500 K sq. ft.
		2. Estimated jobs generated through leasing existing space (# jobs;sq. ft.)				
		Downtown	3 K jobs 1 M sq. ft.	N/A	New Measure	720 jobs 240 K sq. ft.
		Edenvale	3 K jobs 1 M sq. ft.	N/A	New Measure	830 jobs 275 K sq. ft.
		Rincon	15 K jobs 5 M sq. ft.	N/A	New Measure	2,800 jobs 950 K sq. ft.

Performance by Outcome

Outcome 1: Strong Economic Base (Cont'd)

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
A. ATTRACT, RETAIN AND EXPAND BUSINESS (cont'd)					
2. Satisfy demand for convention, meeting, event and visitor needs	1. Amount of tax revenue generated by \$1 of operational expenditures	\$2.00	\$1.98	\$1.96	\$1.98
	2. Annual daily occupancy of convention facilities	90%	82%	88%	85%
	3. Annual delegate spending (est.)	\$140 M	\$140 M	\$117 M	\$120 M
	4. Delegate Hotel/Room nights (est.)	125,000	125,000	80,000	100,000
	5. # of new hotel rooms constructed in the Downtown area	592	506	506	86

growth of new business clusters through the encouragement of entrepreneurship and expansion of existing companies continues to create jobs for San Jose residents.

Some examples of recent recruitment and retention include Adobe Systems, which is building a third office tower in downtown San Jose; Agile Software, a Software Business Cluster incubator graduate, which will expand from approximately 30,000 to 60,000 sq. ft.; and the new 100,000 sq. ft. Fed Ex Express facility which will strengthen the San Jose economy both through the jobs it generates as well as through the improved efficiencies for other San Jose businesses.

To aid retention and attraction efforts, the City is also working to promote a compelling, consistent message to regional/ national/ international media, opinion leaders, and corporate/ investment audiences about San Jose's economic assets and prospects. This has become particularly important given external pessimism about the Silicon Valley region and San Jose's low profile nationally.

Convention Facilities

A factor critical to a vibrant and economically successful downtown is meeting the demand for convention, meeting, event and visitor services, primarily at the Convention Center. Key action items include improving customer service, increasing revenues from convention facilities and increasing facility use, delegate spending and hotel room nights. The economic environment has resulted in a downsizing of conventions and trade shows

and a drop in short-term business such as banquets, meetings and holiday parties. Which negatively impacts performance.

Although hotel occupancy is trending upwards as compared to last year, the average hotel room rate has decreased 13% from \$138 to \$120, thereby creating lower levels of transient occupancy tax revenues than anticipated. The drop in convention center and hotel occupancy has created opportunity for groups from other market segments to meet in San Jose. Joint sales campaigns in Sacramento and Washington D.C. to secure state and national association business is beginning to show promise. Recent success in the Sports, Military, Education, Religious and Fraternal (SMERF) Market has netted major bookings like Religious Conference Managers Association for 2006.

In efforts to gain and retain business the Convention Center will stabilize rental rates. The Center is revising its agreements with electrical contractors to bring commission rates up to market levels. Recent upgrades to the Center's culinary program will drive more revenue and enhance customer satisfaction. The Center will continue to look for opportunities to become more energy efficient, which will create both environmental and fiscal savings.

Recent and upcoming downtown expansions at the Fairmont, Marriot and Montgomery hotels will support additional convention center activity as the economy recovers.

Performance by Outcome

Outcome 1: Strong Economic Base (Cont'd)

New Retail Development

The growth of retail development is critical for the continued health and growth of San Jose's economy. The City is redoubling its efforts to leverage continued strong retail interest in San Jose to increase the availability of quality retail to residents and revenue generation to support continued governmental services. Westfield Shoppingtown Valley Fair recently completed its expansion and the mall continues to produce over \$600 per square foot in revenues, making it one of the highest grossing malls in the United States. Santana Row added world class retailers in a unique environment that provides San Jose and area residents with an unparalleled shopping experience. Westfield Shoppingtown Oakridge is on target to complete extensive renovations by November 2003 and will add over 70 new stores and a new 20-screen theater. Macy's at Oakridge is proceeding with a 70,000 square foot expansion to be completed by December 2003. In addition, the owners of Eastridge are moving forward with development plans to complete a major renovation of the mall.

Many other significant retailers have opened in San Jose. Target, Home Depot,

Best Buy, and Home Expo recently opened major stores. Several auto dealerships are expanding such as Honda Stevens Creek, Toyota Stevens Creek, Anderson/Behel Porsche Audi and Volkswagen Stevens Creek. A new Mercedes dealership, Beshoff Motorcars, expects to occupy their permanent building in late fall 2003.

Several existing retailers, as well as retailers new to our area, are actively pursuing new locations in San Jose.

Downtown retail development has been steady due to an aggressive two-year national marketing effort. Leasing success is evidenced by new leases with national high-end restaurants McCormick & Schmick and P.F. Chang's China Bistro, and independent tenants Bijan Bakery, and Artist and Craftsman Supply and the opening of the Improv Comedy Club. Several completed and planned mixed-use projects such as the Fairmont Annex, Twohy Building and the approved major mixed-use project on three vacant downtown parcels with CIM Group have bolstered leasing efforts. Anticipation of the completion of new City Hall and the joint City and San Jose State University Library have also enhanced the downtown retail environment.

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
A. ATTRACT, RETAIN AND EXPAND BUSINESS (cont'd)					
3. Facilitate retail development in the Downtown	1. New /rehabilitated retail space in downtown areas	138 K sq. ft.	26 K sq. ft.	60 K sq. ft.	52 K sq. ft.
4. Facilitate major sales tax generators	1. Increase in sales tax from businesses receiving assistance from the City	\$7.5 M in new sales tax generated	\$3 M in new sales tax generated	\$2.5 M in new sales tax generated	\$2.5 M in new sales tax generated
5. Retain industrial jobs, supplier and industrial land uses	1. Retention of existing land with "heavy" and "light" Industrial General Plan designation	2,400 acres	2,560 acres	2,500 acres	2,500 acres
	2. Retention of other industrial land (Industrial Park, Campus Industrial, and other R&D)	7,800 acres	NA	New Measure	8,000 acres
6. Facilitate small business expansion	1. Funding made available to small businesses	\$8 M	\$1 M	\$1.5 M	\$1.5 M

Performance by Outcome

Outcome 1: Strong Economic Base (Cont'd)

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
B. STRENGTHEN WORKFORCE					
1. Be active partner in developing a skilled workforce	1. % of Workforce Investment Act (WIA) clients employed six months after initial placement (Calendar Yr. 2001)				
	- Adults	Goals set	74%	73%	74%
	- Dislocated Worker	annually by	84%	84%	85%
	- Youth	State of CA	76%	45%	47%

Workforce Development

A strong and prepared workforce qualified for jobs that pay enough in order to live in the area is of vital importance. The Citys Silicon Valley Workforce Investment Network (SVWIN) works with local businesses and residents to provide resources to develop a skilled, self-sufficient workforce. These federally funded efforts are accomplished through public and private partner organizations which form the network.

In the third quarter of 2002-2003, the number of client visits to the SVWIN program one-stop service delivery centers in

south Santa Clara County reached over 45,000 and is expected to reach a fiscal year total of 155,000 client visits. Clients are provided with access to a resource library, training rooms, and, for those needing additional assistance, counselors. Businesses are also encouraged to conduct seminars and recruitment activities at the one-stops.

While the SVWIN has been successful in 2002-2003, encouragement of retention of jobs by youth has been difficult. Youth participants, with less experience and education than of other employee groups, are being driven from the employment market by competition and falling wages.

Performance by Outcome

Outcome 2: Diverse Range of Housing Opportunities

Diverse Range of Housing Opportunities

The City of San Jose is the leader in providing housing in Silicon Valley. While neighboring cities have sought to bring in job-producing uses, San Jose has worked to ensure that its workers have places to both work and to live. In addition, the City is a national leader in providing affordable housing opportunities for its residents. Nearly 10,000 new units of affordable housing have been constructed, and more than 2,600 have been acquired and rehabilitated since the Housing Department was created in 1988.

In 1999, the City Council approved a five-year plan for the construction of 6,036 new affordable housing units. Through 2002-2003, the City expects to assist in the development and substantial rehabilitation of 4,973 units, exceeding the cumulative four-year target of 4,203 units. In September 2002, the City Council adopted a new five-year plan for 2002-2007, extending affordable housing targets and providing funding for 6,000 units over the five-year period. In addition to increasing the supply of affordable housing, the City has assisted thousands of residents with loans or grants to rehabilitate or paint their homes and to become first-time homeowners with City assistance.

Proactively Identifying Housing Opportunities

San Jose continues to be a regional leader in the identification of underutilized land for potential housing sites. Focusing primarily along the City's Transit Corridors, staff is expected to complete the third phase of the Housing Opportunity Study in 2003-2004. These sites are proposed for General Plan amendments to increase residential densities, capturing and protecting these potential housing opportunities.

Increasing Homeownership Opportunities

According to the California Association of Realtors, the median-priced home in Santa Clara County, was \$535,000 as of February 2003 – a 1.9% increase from one year prior. Data from December 2002 shows 28% of County residents can afford to purchase a median-priced home, whereas only 18% could afford a median-priced home two years prior. Although these trends reflect improvement, County residents do not share the same opportunities as the 59% of American families that are able to afford a median-priced home.

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
A. INCREASE THE SUPPLY OF HOUSING FOR ALL INCOME LEVELS					
1. Approve building permits for residential construction for a variety of housing types	1. % of units receiving building permit approval compared to target of 4,000/yr. (actuals in parentheses)	90% (18,000 units)	100% (4,000 units)	58% (2,300 units)	63% (2,500 units)
2. Increase the number of housing units developed in Greater Downtown Area	1. % of target (1,000 units/yr.) for housing unit production completed in the Greater Downtown Area (actuals in parentheses)	100% (5,000 units)	100% (1,000 units)	98% (983 units)	70% (700 units)
3. Increase the number of high-density for-sale housing units as a percent of total high-density units built	1. % of high-density residential units receiving building permits that are for sale (actuals in parentheses)	35% (7,000 units)	25% (600 units)	20% (480 units)	20% (480 units)
4. Increase the City's housing unit capacity	1. # of dwelling units added to the General Plan holding capacity annually	10,000 (2,000/yr.)	3,000	2,000	2,000
5. Increase homeownership in SNI areas	1. # of households assisted by Home Venture Fund, by income level				
	a. Moderate-income households	175	35	30	0
	b. Low-income households	75	15	24	0

Performance by Outcome

Outcome 2: Diverse Range of Housing Opportunities (Cont'd)

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
B. ASSIST IN THE DEVELOPMENT OF AFFORDABLE AND FOR-SALE HOUSING					
1. Speed up the development process for affordable housing projects	1. % of affordable housing projects receiving building permit within 6 months of plan check submittal	85%	50%	60%	65%
2. Increase the supply of affordable housing	1. % of cumulative achievement toward 5-year construction* completion goal (target in parentheses) - 1999-2004 Spending & Operations Plan (target: 6,036 units)	100% (4,800 units)	100% (4,203 units)	118% (4,973 units)	100% (6,036 units)
3. Disperse affordable housing throughout the City (Dispersion Policy)	1. % of City funded lower income housing located outside of impacted neighborhoods (neighborhoods with a high concentration of low- and moderate-income households)	85%	85%	96%	85%
4. Direct significant affordable housing resources to lower-income households	1. % funds reserved by income levels over 5 years: - Very low (<=50% of median) - Extremely low (<=30% of median) - Very low (31 - 50% of median) - Low (51 - 63% of median) - Moderate (64 - 120% of median)	60 30 30 25 15	60 30 30 25 15	54 17 42 32 9	60 30 30 25 15

* Figures include new construction and acquisition/rehab units.

Services for Teachers - The City continues to support its policy of being the most teacher-friendly city in the Country. The Housing Department expects to assist 100 teachers in purchasing a home in 2002-2003, exceeding the goal of 70.

Since its inception, Teacher Homebuyer Program (THP) funds have leveraged over \$77 million from a variety other sources and assisted 340 public school teachers purchase homes in the City of San Jose. The Department is proposing \$4 million for THP in 2003-2004.

First Time Homebuyers Assistance - Through a partnership with Neighborhood Housing Services Silicon Valley (NHSSV), a total of 71 low and moderate-income first-time homebuyers were assisted and over \$19 million were leveraged from partner banks in first and second mortgage financing. In addition, hundreds of San Jose residents have participated in the free Homebuyer Education and credit counseling offered by NHSSV.

Assistance in the Development Process

The City is not a housing developer, but acts as a facilitator to development. There are several ways that the City makes development possible, from zoning land for housing development to streamlining development processes. All City departments involved in the development process continue efforts to make the process more efficient. The first performance measure above reflects progress in that goal, with an estimated 60% of projects receiving building permits within six months of plan check submittal in 2002-2003, exceeding the target of 50%.

Targeted Funding

The City Council has established specific funding goals by income level, targeting most of the funds for those households with the least ability to pay for housing. A minimum of 60% of funding is targeted to housing for very low-income households, and no more than 15% funding will be reserved for moderate-income households.

Performance by Outcome

Outcome 2: Diverse Range of Housing Opportunities (Cont'd)

Creative Solutions

Implementing creative solutions to the housing crisis continues to be a priority for the City and for the Housing Department.

Purchase of City-owned Property - The Housing Department will utilize 20% Tax Increment funds to purchase a surplus City-owned property, and working with the San Jose Conservation Corps and the Youthbuild training program, will construct approximately eight new units on the property. Upon completion of the construction project, the Housing Department's Homebuyer Program will assist the San Jose Conservation Corps in marketing the residences to lower- and moderate-income homebuyers as well as assisting the homebuyers in securing financing.

Homeless Services - Currently, a homeless strategy is being developed to define the City's role as a homeless service provider. By funding non-profit agencies that provide direct and indirect services to the homeless and at-risk homeless population, the City will assist 15,000 individuals in their efforts to obtain or maintain housing in 2002-2003. After gaining Council approval and establishing policy, performance measures and objectives will be developed.

The Rental Rights and Referrals Program - The Rental Rights and Referrals Program is proposed to receive \$118,000 in Community Development Block Grant funds (an additional \$25,050 in Healthy Venture Neighborhood Funds) in 2003-2004 to

implement the Tenant Protection Program effective July 1, 2003. The new program will create a mediation process for all no-cause notices served to tenants living in triplexes or larger built after 1979; units built before 1979 are covered by the City's Rent Control Ordinance and are already offered eviction services. It is projected that an additional 100 cases will be added to the current workload on an annual basis after the implementation of this new program.

Strong Neighborhoods Initiative Rehabilitation Program - The Strong Neighborhoods Initiative (SNI) housing rehabilitation program was established in 2002-2003. In August 2002, the City Council approved the SNI Exterior Grant Program and the Hensley Historic District Rehab Program. Housing staff aggressively marketed this program via the Neighborhood Advisory Committees (NACs), and SNI community response was extremely positive. The City has received over 550 applications; to date, 185 applications have been approved for a total of \$3.8 million. The Department is proceeding with 85 of the 185 SNI rehab projects at this time for a total of \$1.95 million.

Due to State Budget uncertainties and consistent with City Council direction, the SNI Rehab and the Hensley Historic District Rehab programs were effectively placed "on hold" in mid-January. The proposed 2003-2004 budget does not include funds for the SNI Exterior Grant Program or the Hensley Historic District Rehab Program.

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
C. IMPROVE AND PRESERVE THE EXISTING HOUSING STOCK					
1. Provide incentives to homeowners and rental property owners to rehabilitate their dwellings	1. % of target met for units rehabilitated through City action (Code Enforcement and Housing - target in parentheses)	100% (25,000 units)	100% (4,250 units)	100% (4,250 units)	100% (4,250 units)
D. MEET HOUSING NEEDS OF SPECIAL POPULATIONS					
1. Assist the homeless	1. Estimated number of clients receiving direct or indirect assistance in obtaining or maintaining housing	75,000	N/A	New measure	15,000
2. Provide housing assistance to teachers	1. % of target achieved for Teacher Homebuyer Program loans (70 loans/year)	100% (350)	100% (70)	143% (100)	100% (70)

Performance by Outcome

Outcome 3: Safe, Healthy, Attractive and Vital Community

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
A. SAFE PLACE TO WORK AND LIVE					
1. Ensure structural and life safety in built environment	1. % of design professionals surveyed who rate structural review and life-safety process as good or better	75%	50%	65%	60%
	2. % of residents rating building and code enforcement as good or better	75%	55%	55%*	55%
2. Integrate safe design principles into development review process to create safe public spaces	1. % of residents surveyed who perceive that their neighborhood is "Very Safe" when walking				
	- during the day	65%	60%	60%*	60%
	- during the night	40%	36%	36%*	36%
B. DESIRABLE PLACE TO LIVE AND WORK					
1. Revitalize and rehabilitate uses, sites and structures in neighborhoods, commercial and industrial areas	1. % of targeted properties in SNI areas with improved physical appearance as measured by the blight analysis (targets in parentheses)	100% (12,860)	100% (3,215)	100% (3,215)	100% (3,215)
	2. # of facades, streetscapes, and development projects completed**				
	a. Streetscapes	10	5	8	4
	b. Facades	100	50	80	50
	c. Development agreement to Board	10	2	4	2
	d. Development sites marketed	10	4	1	5
2. Quality living and working environment	1. % of community residents that feel their neighborhood condition is good or better (revised measure)	75%	70%	70%*	70%
	2. % of residents surveyed who are satisfied with the quality of new development in their neighborhood	80%	75%	75%*	75%

* Data for this measure comes from the 2001 Community Survey. The next Community Survey is scheduled for Fall 2003.

** Data based on Agency Category 1 projects

Strong Neighborhoods Initiative

By the end of 2002-2003, the City Council will have adopted 19 of the 20 individual Strong Neighborhoods Initiative (SNI). Neighborhood Improvement Plans with each identifying the priority improvements for the respective plan areas so that City resources are appropriately delivered. The plans, created by each community, are now being used as implementation tools to program delivery of services such as alleviation of blight, vehicle abatement, and neighborhood cleanups as well as to identify capital improvement projects such as park improvements and traffic calming projects within each community. Though some top-ten items requiring financial resources are unavoidably delayed in the short term, the SNI effort continues by leveraging the important relationships between staff and the Neighborhood Advisory Committees, that

were developed during the planning process, to support improvement projects initiated by neighborhood groups and aligning existing City services to the identified neighborhood priorities.

With the Redevelopment Agency facing a significant budget shortfall, this budget reduces the number of neighborhood clean-ups in SNI areas in order to preserve funding for six Code Enforcement "Driveway Team" staff. This team proactively addresses blight conditions in a neighborhood including abandoned vehicles, property maintenance, outdoor storage and general blight elimination. By the end of the 2002-2003, while emphasizing education and outreach, the Driveway Team, working in partnership with the various Neighborhood Action Committees, will have surveyed 15,500 parcels in 19 of the 20 SNI Neighborhoods. The Team will have identified and resolved over 2,500 blight cases and removed over 1,500

Performance by Outcome

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd)

abandoned vehicles from City streets. By shifting eligible General Fund expenses to Solid Waste fees, the city-wide Neighborhood Clean-up Program will remain intact and continue to provide 5 clean-ups per Council District annually.

Code Enforcement is also proposing a new performance measure that will track overall Code Enforcement response time to new complaint cases. This measure will demonstrate Code Enforcement's ability to meet the demands for service for both life-safety and non life-safety cases.

Development Review

Ensuring that San Jose remains a safe, attractive and vital place to live and work requires a comprehensive and efficient development review process. Continued growth will require the City to balance an increased demand for housing and jobs with protection of the environment. Success in keeping this balance depends on an efficient and thorough development review process that minimizes unnecessary delays while preserving

the public's involvement in shaping the City's environment.

The intended result of the development review process is the construction of safe, quality development in the City. One measure of the success of the process is the opinion of the communities that live near new development projects. The City's most recent survey data shows that 75% of nearby residents rated the City's performance as "good" or better in ensuring that new development was appropriately designed to fit into their neighborhood. The performance measure has been expanded this year to include opinions about the life-safety review process as well.

A 5-Year Strategic Goal is to achieve an 85% favorable response from our development customers on the question of whether the multi-department development process functions as one seamless operation. A seamless system will result from improved coordination which can facilitate quicker resolution of outstanding issues so that projects are able to receive the highest quality of review in the shortest time necessary. Implementation

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
B. DESIRABLE PLACE TO LIVE AND WORK (CONT'D)					
3. Public services to meet demands of users	1. % of community residents satisfied with the overall citywide quality of services provided by the City	80%	75%	75%*	75%
	2. % of time inspection/assessment for Code cases occurs within targeted times (target in parentheses)				
	- Life safety cases (24-72 hours)	95%	N/A	New Measure	80%
	- Non-life safety cases (30-60 days)	50%	N/A	New Measure	40%
4. Active business and community partnerships	1. % of residents who feel that people in their neighborhood definitely or probably share a sense of local pride	75%	70%	70%*	70%
5. Provide seamless and effective development review, including implementation of environmental regulations, in a customer-friendly fashion	1. % of projects that receive thorough, complete, consistent review in the first cycle of staff review	85%	N/A	83%	80%

* Data for this measure comes from the 2001 Community Survey. The next Community Survey is scheduled for Fall 2003.

Performance by Outcome

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd)

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
B. DESIRABLE PLACE TO LIVE AND WORK (CONT'D)					
5. Provide seamless and effective development review, including implementation of environmental regulations, in a customer-friendly fashion (cont'd)	2. Ratio of current year fee revenue to fee program cost	100%	89%	88%	98%
	3. Selected development processing time targets				
	a. Planning initial comments mailed within 30 days **	95%	90%	63%	90%
	b. Building plan check processing targets met	90%	90%	73%	75%
	c. Public Works responses to Planning applications within 3 weeks (new)	95%	60%	64%	75%
	d. Building inspections within 24 hours	85%	85%	65%	70%
	4. % of development participants rating service as good or better	90%	75%	75%	75%
	5. % of residents and businesses who perceive desirability of physical environment as good or better based on:				
	- Attractiveness of Resid. property	75%	70%	70%*	70%
	- Attractiveness of Comm. property	58%	55%	55%*	55%
	- Physical cond. of neighborhoods	74%	70%	70%*	70%
	- Access to public amenities	83%	80%	80%*	80%
	6. % of clients surveyed who perceive that the development review process is "seamless"	85%	78%	78%	85%

* Data for this measure comes from the 2001 Community Survey. The next Community Survey is scheduled for Fall 2003.

** 90% for major projects, 70% for others.

of the Integrated Development Tracking System, which occurred in 2001-2002, is helping to achieve this goal. The estimate for 2002-2003 for this measure, based on responses received from development customers through 3 quarters, is approaching the 5-year goal at 83%.

Development Fee Programs

The City is continually adjusting the level of resources for development review functions to ensure that development review staff can conduct a thorough and complete initial review of projects and to increase the number of projects completed within committed timeframes. Maintaining a fee structure that reflects the actual cost of service is a crucial part of this equation because it ensures the City's fiscal ability to adjust staffing to the level of activity. To that end, the City's development review programs have been seeking input from development customers on a fee and performance package the industry will

support. Included in this budget are the second-year increases of phased-in fee adjustment packages approved in the 2002-2003 budget process. A change in the fee structure used to calculate building permit fees on residential projects is also recommended. This new fee structure was developed in response to a recommendation from the auditor that fees be based on a more defensible analysis of actual service costs rather than on valuation tables. Cost reductions and fee increases will enable Public Works and Fire to reach a cost recovery level in 2003-2004. Planning will reach cost recovery with a 3rd phase increase in 2004-2005, while Building will require an hourly rate adjustment in 2004-2005 to recover all costs. Fee reserves are used in the latter two programs to balance budgets in 2003-2004.

The improvement in the customer satisfaction measures is encouraging, especially

Performance by Outcome

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd)

Development Fee Programs (Cont'd)

in light of the fact that the development services partners were able to meet their processing time targets significantly less often than predicted. Three major factors contributing to this below par performance are: the reduction of 42 FTE development positions in the 2002-2003 budget which left no capacity for additional activity, the freezing of vacant positions in response to large projected cost recovery gaps, and a higher than anticipated activity level (especially in the inspection area where a record number of inspections will be performed in 2002-2003). Unfortunately, the increased activity has not led to increased revenue, because the biggest cost recovery gap in the current fee structure exists in the one sector that is booming – residential remodels. The Public Works fee structure also needs to be adjusted to capture the costs associated with the increasing amount of “infill” development.

Performance will improve over 2002-2003, with the fee increases recommended in this budget, but another year of phased in fee increases will be necessary to reach full cost recovery and optimal performance.

Capital Improvement Program

Fiscal Year 2003-04 introduces City-wide performance measure methodology related to the City's Capital Improvement Program. Five performance measures are proposed (see below) which will address the quality, cost, cycle time, and customer satisfaction associated with delivering capital projects. Within this CSA developer assisted projects, undergrounding projects will be measured.

The estimate of 50% of projects completed on time for 2002-03 is based on a total of four projects, two of which were completed on schedule. The completed projects are the Rehabilitation of Commercial Building at 10th/11th (University--SNI 07) and Winchester Public Telephone Nuisance

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
6. Economic and Neighborhood Development CSA delivers quality CIP projects on-time and on-budget	1. % of CIP projects that are delivered within 2 months of approved baseline schedule	-	-	50% (2 of 4)	TBD*
	2. % of CIP projects that are completed within the approved baseline budget	-	-	TBD*	TBD*
	3. % of project delivery costs compared to total construction costs for completed projects:				
	less than \$500,000-	-	-	TBD*	TBD*
	between \$500,000 and \$3M-	-	-	TBD*	TBD*
	greater than \$3M-	-	-	TBD*	TBD*
	4. % of operations and maintenance divisions rating new or rehabilitated capital facilities as being functional and sustainable after the first year of commissioning or use	-	-	TBD*	TBD*
	5. % of customers rating new or rehabilitated CIP projects as meeting established goals (4 or better based on a scale of 1-5)				
	Public-	-	-	TBD*	TBD*
	City Staff-	-	-	TBD*	TBD*

* New city-wide performance measures; baseline data to be established in 2003-2004

Performance by Outcome

Outcome 3: Safe, Healthy, Attractive and Vital Community (Cont'd)

5 Year Strategic Goals/Objectives	CSA Performance Measures	2003-2008 5-yr Goal	2002-2003 1-yr Target	2002-2003 Estimate	2003-2004 1-yr Target
C. HEALTHY AND SUSTAINABLE ENVIRONMENT					
1. Utilize green building design to reduce energy demands in all public development	1 % of new public building square footage incorporating green building design	100%	75%	100%	100%

(Winchester--SNI 09). The delayed projects are the Undergrounding District-McLaughlin/Story and Improvement District at Hellyer-Piercy. While substantially complete, the Undergrounding District was delayed due to contractor issues. The Improvement District was delayed as a result of an increase to the project scope.

Sustainable Development

Performance measurements that attempt to assess how the City is doing in promoting Green Building Design and use of mass transit systems have proved to be of limited utility. Staff has been unable to collect reliable data on the number of commercial or attached residential buildings incorporating Green Building Design. For this reason it is recommended that this measure be revised to track data on public buildings where this information is accessible. In addition, the performance measure that attempted to track the number of development sites with car pool parking, Eco-Pass distribution, bicycle parking and lockers has been dropped. Because many of these features are incorporated into businesses well after their involvement in the permitting process, collecting data for this measure was not sustainable.

Development Initiatives

In response to the Mayor's 10-Point Economic Stimulus Plan, the City offered a tax suspension and plan check fee deferral for tenant improvements intended to prepare vacant building space for industrial or research

and development uses. This program, which has been very popular with those who have taken advantage of it, expires in October 2003. The City and the Redevelopment Agency are exploring the possibility of recommending its extension. Development customers for whom speed is more important than cost will also have the option of paying more for a higher level of service. The details of the enhanced service fees will be included in the Proposed Fees and Charges Report, which will be published on May 7th.

With process improvement in mind, the City commissioned a comprehensive review of the development review process by Zucker Systems that was completed in 2002. Staff is currently reviewing the study with the assistance of development customers to prioritize the recommendations that are intended to enable staff to provide faster, higher quality, and seamless services to development customers. Technology advances have and will continue to improve customer service. The public can now access the San Jose Permits On-Line System to view data and development documents and to apply for permits via the Internet. Customers will also be able to make inspection requests on-line in the first half of 2003-2004.

Proposed Investment Changes

Economic & Neighborhood Development CSA

CORE SERVICES

PLANNING, BUILDING AND CODE ENFORCEMENT

Community Code
Enforcement

Development Plan
Review and Building
Construction Inspection

Long Range Land Use
Planning

HOUSING

Increase the Affordable
Housing Supply

Maintain the Existing
Affordable Housing
Supply

Provide Services to
Homeless and At-Risk
Population

REDEVELOPMENT

Promote and Implement
Neighborhood
Improvements Strategies

Initiate and Facilitate
Private Development

Enhance the Quality and
Supply of the City's
Housing Stock

CONVENTIONS, ARTS AND ENTERTAINMENT

Convention Facilities

OFFICE OF ECONOMIC DEVELOPMENT

Business/Job Attraction,
Retention, Expansion and
Creation
Workforce Development

PUBLIC WORKS

Regulate/Facilitate
Private Development

Fire

Fire Safety Code
Compliance

Proposals*	Positions	2003-2004 All Funds (\$)	Ongoing (\$)
Outcome: Diverse Range of Housing Opportunities			
<i>City-Wide Expenses (CITY-WIDE)</i>			
• Teacher Recruiting Program	-	(40,000)	(40,000)
<i>Increase the Affordable Housing Supply (Housing)</i>			
• Strong Neighborhood Initiative Rehabilitation and Housing Activity Suspension	-	(144,209)	-
<i>Maintain the Existing Affordable Housing Supply (Housing)</i>			
• Non-Rent Control Tenancy Protection Program	1.00	118,316	142,427
• Strong Neighborhood Initiative Rehabilitation and Housing Activity Suspension	-	(764,258)	-
<i>Provide Service to Homeless and At-Risk Populations (Housing)</i>			
• Strong Neighborhood Initiative Rehabilitation and Housing Activity Suspension	-	(48,260)	-
<i>Strategic Support - END (Housing)</i>			
• Network Administration Support	1.00	83,760	85,151
• Strong Neighborhood Initiative Rehabilitation and Housing	-	(156,309)	-
<i>Subtotal</i>	2.00	(950,959)	187,578

Outcome: Safe, Healthy, Attractive and Vital Community

City-Wide Expenses (CITY-WIDE)

• Neighborhood Clean-Ups - (430,742) (430,742)

Community Code Enforcement (PBCE)

• City-Wide Office Supplies - (11,680) (11,680)

• Code Enforcement Fee Program - - -

• General Code Enforcement
Program (1.80) (153,391) (153,391)

• Vehicle Maintenance Staffing
Levels/General Vehicle Fleet
Reduction - (13,000) (13,000)

Proposed Investment Changes

Economic & Neighborhood Development CSA

Proposals*	Positions	2003-2004 All Funds (\$)	Ongoing (\$)
Outcome: Safe, Healthy, Attractive and Vital Community (Cont'd)			
<i>Development Plan Review and Building Construction Inspection (PBCE)</i>			
• Building Fee Program	(2.00)	(617,630)	(446,755)
• City-Wide Office Supplies	-	(5,125)	(5,125)
• Planning Fee Program	(1.50)	(218,748)	(218,748)
• Vehicle Maintenance Staffing Levels/General Vehicle Fleet	-	(15,000)	(15,000)
<i>Fire Safety Code Compliance (Fire)</i>			
• City-Wide Office Supplies	-	(300)	(300)
• Fire Fee Program	(1.00)	(96,969)	96,969
<i>Long Range Land Use Planning (PBCE)</i>			
• City-Wide Office Supplies	-	(2,614)	(2,614)
• Long Range Land Use Planning Staff	(2.60)	(197,427)	(197,427)
• Planning Fee Program	0.6	60,461	60,461
<i>Regulate/Facilitate Private Development (Pub Wks)</i>			
• Housing Action Team	(1.00)	(112,089)	(112,089)
• Public Works Fee Program	(6.69)	(753,486)	(753,486)
• Rule 20A Undergrounding Program	(1.35)	(119,999)	(119,999)
<i>Strategic Support - E&ND (PBCE)</i>			
• City-Wide Office Supplies	-	(581)	(581)
• General Code Enforcement Program	(0.20)	(18,070)	(18,070)
<i>Subtotal</i>	(17.54)	(2,706,390)	(2,341,577)

Proposed Investment Changes

Economic & Neighborhood Development CSA

Proposals*	Positions	2003-2004 All Funds (\$)	Ongoing (\$)
Outcome: Strong Economic Base			
<i>Business/Job Attraction, Retention, Expansion, and Creation (OED)</i>			
• Community Based Organizations Funding	-	(21,275)	(21,275)
• San Jose First Employment Program & Small business	-	(61,422)	(61,422)
• Sister Cities Program Transfer	-	18,090	18,090
• Workforce Development Program Funding Shift	(0.25)	(18,985)	(18,985)
<i>City-Wide Expenses (CITY-WIDE)</i>			
• Convention and Visitors Bureau Marketing Program	-	(80,265)	(80,265)
<i>Convention Facilities (CAE)</i>			
• Convention Center Cost Savings Strategy	(4.67)	(1,971,416)	(1,563,284)
<i>Strategic Support - E&ND (CAE)</i>			
• City-Wide Office Supplies	-	(4,000)	(4,000)
• Director's Office Staffing	(0.89)	(480,505)	(327,714)
• Workforce Development Program Staffing Reduction	(1.15)	(88,331)	(88,332)
<i>Workforce Development (OED)</i>			
• Workforce Development Program Funding Shift	1.00	75,941	75,941
• Workforce Development Program Staffing Reduction	(11.60)	(950,171)	(801,587)
<i>Subtotal</i>	(18.56)	(3,582,341)	(2,872,835)
Total Proposals	(34.10)	(7,239,689)	(5,026,834)